AU Study Examines Impacts of Timber Industry's Land Sales

By Jamie Creamer, Auburn University College of Agriculture

In the past decade, major corporations in Alabama's forest products industry, looking to pay down debt and raise the price of shares, have sold off 3.5 million acres of commercial timberland, primarily to outside investment firms and trusts that may or may not keep the land in timber. With the new owners comes the possibility that forest management practices and land-use patterns will shift, and that could have major implications for rural communities, local governments, and family-owned forests in timber-dependent areas of the state, as well as for the future of the forest products industry itself in a state that has the third most timberland acreage in the 48 contiguous states.

In an investigation under way at Auburn University, Alabama Agricultural Experiment Station scientists aim to document all corporate forested-land ownership transfers in the state in recent years, analyze the social and economic impacts the land sales are having, and identify ways rural communities can not only reduce the negative consequences of the changing landscape but maximize the benefits as well.

Auburn rural sociology professor Conner Bailey, director of the five-year project funded by USDA's Agriculture and Food Research Initiative, says current tax policies have made timberland an extremely attractive venture for investors, particularly real estate investment trusts, most of whom contract with companies known as timber investment management organizations to make decisions about the land and its use. These new owners and overseers will shape the future of the forest products industry and the larger rural economy of Alabama, based on their management objectives for this land, says Bailey, who is joined in the project by Auburn forest economist Larry Teeter and Extension forest management specialist Rebecca Barlow.

"The forest products company that has owned timberland for decades has a vested interest in managing the land so that it will remain highly productive and is concerned with the community in terms of workers, mills, equipment dealers, and so forth," Bailey says. "When that company sells the land, the new owner may not be anchored to the community; its main interest is going to be the return it gets on its investment."

In some parts of the state, Bailey says, the new owners are likely to keep the land in commercial timber production, mainly because of the lack of alternative uses for the land. This is particularly true in west-central Alabama. "But in other parts of the state, especially near urban-growth centers or major transportation arteries, where there's a demand for rural residential property or where it's a prime area for manufacturing, investors are going to evaluate what the highest and best use of their land is, and that could prompt them to take the land out of timber production," Bailey says.

Such moves could have a positive impact on some communities and counties. "If timberland is bringing $5,000 an acre but dividing it up and selling off parcels for subdivisions would raise the value to $15,000 an acre, obviously the landscape is going to change," Bailey says. "But that could be to a county's advantage because even if the homestead exemption applies, the increase in land value will generate increased property tax revenue."

Bailey and team will amass much of their data through examining county property tax records to identify the sellers and buyers in all forestland real estate transactions in Alabama in recent years, conducting surveys, and interviewing a range of stakeholders, from forest industry executives to local equipment dealers. In the final phase of the project, the researchers' objective will be outreach designed to help rural Alabama communities adapt to change brought about by restructuring of forestland ownership.

Collaborating with the Alabama Ag Experiment Station research team at Auburn is John Bliss in the College of Forestry at Oregon State University. Bliss is a former Auburn faculty member who has conducted similar research in Oregon and with whom Bailey and Teeter have worked on other social and economic forestry issues.

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